

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6933

BILL NUMBER: SB 514

NOTE PREPARED: Jan 6, 2013

BILL AMENDED:

SUBJECT: Inheritance Tax Exemption for Certain Farms.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill specifies that certain definitions apply after the elimination of the Inheritance Tax for purposes of the Indiana Estate Tax and the Indiana Generation-Skipping Transfer Tax. It provides that the transfer of Hoosier homestead farm property is exempt from the Inheritance Tax if the property is transferred to a family member who continues to operate the farm. It provides that the exemption is in addition to other exemptions that the transferee may receive. It requires a transferee receiving the Hoosier homestead farm property to pledge to farm the property for at least ten years. It provides that the transferee is liable for the amount of foregone Inheritance Tax if the transferee makes an impermissible disposal of the property before fulfilling the pledge. The bill also provides that certain disposals are permissible and do not incur the Inheritance Tax liability.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the exemption provided by this bill. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Summary* - This bill could reduce Inheritance Tax revenue to the state General Fund by an indeterminable amount beginning in FY 2015. The impact will depend upon the extent that transferees qualify for the exemption provided by this bill. The impact of the exemption will decrease over time as more transferees are exempted from the Inheritance Tax due to the increasing credits provided by current law that ultimately phase out revenue from the Inheritance Tax by FY 2024.

Background Information - This bill provides an exemption from the Inheritance Tax for individuals who are transferred Hoosier Homestead farms and pledge to operate the farms for at least 10 years. Since 1976, the total number of Hoosier Homestead farms is 4,891.

SEA 293-12 provided for a phase out of the Inheritance Tax beginning with decedents whose deaths occur during CY 2013. The Inheritance Tax will no longer apply to property interests transferred by decedents whose deaths occur after December 31, 2021. The Inheritance Tax must be paid within 12 months after the decedent's death (within 9 months to receive the 5% early discount).

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill could reduce Inheritance Tax revenue to counties by an indeterminable amount beginning in FY 2015. Counties retain 8% of the Inheritance Tax collected on transfers made by Indiana residents. The impact will depend upon the extent that transferees qualify for the exemption provided by this bill. The impact of the exemption will decrease over time as more transferees are exempted from the Inheritance Tax due to the increasing credits provided by current law that ultimately phase out revenue from the Inheritance Tax by FY 2024.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties.

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